

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name KEENE TOWNSHIP	County IONIA
Fiscal Year End MARCH 31, 2007	Opinion Date AUGUST 2, 2007	Date Audit Report Submitted to State AUGUST 15, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	Repeated comment: Township minutes on motions to spend township resources do not include the amount to be expended.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) LAWRENCE TIEJEMA, PC		Telephone Number 616-642-0384	
Street Address 30 EAST MAIN STREET		City SARANAC	State MI
		Zip 48881	
Authorizing CPA Signature 		Printed Name LAWRENCE TIEJEMA	License Number 1101026843

KEENE TOWNSHIP

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Lawrence Tiejema, PC

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INDEPENDENT AUDITOR'S REPORT

August 2, 2007

The Township Board
Keene Township
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Keene Township, Ionia County, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

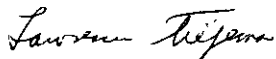
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Keene Township, as of March 31, 2007, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated August 2 , 2007, on my consideration of Keene Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 to 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keene Township's basic financial statements. The governmental schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.



Lawrence Tiejema, PC.

August 2, 2007

Management Discussion and Analysis

During the year ended March 31, 2007, Keene Township improved the Pinckney Cemetery, put a new coat of paint on its township hall, and expended adequate resources to maintain the township's roads. At the same time, the Township increased interest earnings by allocating more of its cash deposits to certificates of deposit.

Financial Highlights

- (1) The Township invested \$7,980 to improve Pinckney Cemetery. Land that had been acquired in 2003 was upgraded with new topsoil, seed, and fertilizer for \$2,730. A perimeter fence was constructed at a total cost of \$5,250.
- (2) The Township Hall was painted in May 2006 at a cost of \$1,948. The new coating will increase the life of the aluminum siding.
- (3) Property tax revenue increased \$9,022 for fiscal year 2007 from fiscal year 2006. An increase of property tax accounted for \$3,862 of this amount, while increased administrative expenses that our treasurer may charge brought in the remainder.
- (4) It was anticipated that the State of Michigan's fiscal crisis would result in lower revenue-sharing income for Keene Township, but the Township actually received \$1,249 more for the year ended March 31, 2007.
- (5) The Township changed its policy on the extra funds in the general fund checking account. It directed the Treasurer to invest the excess funds in certificates of deposit. As a result, interest earnings rose from \$6,288 to \$8,044.
- (6) The Township spent \$22,617 less in road work and expenses than the prior year. Except for brush cutting, the Township did not complete any large road projects as was done in the year ended March 31, 2006.
- (7) The Township received two voting machines from the federal government as part of a grant to upgrade voting machines in the State of Michigan. The two machines have a value of \$12,320.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Township governments may have activities that are intended to recover all or a significant portion of their costs through user fees and charges. Keene Township has no such activities. All financial resources and expenditures are maintained in the general fund. The township also has a tax agency fund which collects real and personal property taxes and disburses these tax revenues to the appropriate governmental units including Keene Township's general fund. Through its general fund, Keene Township provides for general government, public safety, public works, cemeteries, and planning and zoning. The government-wide financial statements can be found on pages 10-12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government wide-financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Keene Township has one fiduciary fund, the tax agency fund.

The basic fiduciary fund statements for the tax agency fund can be found on page 16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 17-28 of this report.

Keene Township's Net Assets

Governmental Activities

	Year ended March 31, 2007	Year ended March 31, 2006
Current and other assets	\$ 230,358	\$ 210,359
Capital assets	49,414	32,159
Total assets	279,772	242,518
Long-term liabilities outstanding		
Other liabilities	4,866	4,757
Total liabilities	4,866	4,757
Net assets:		
Invested in capital assets, net of related debt	49,414	32,159
Restricted		
Unrestricted	225,492	205,602
Total net assets	\$ 274,906	\$ 237,761

The Township increased its cash deposits by \$15,099 through conservative spending and increased interest earnings on its certificates of deposit. Capital assets increased from \$32,159 to \$49,414 by the making of capital improvements at Pinckney Cemetery and the receipt of new voting machines through a federal grant. Current liabilities remained nearly the same compared to the prior year. These liabilities consist of bills received in March 2007 and paid in April 2007 and pension premium assessments that are received after the fiscal year closes.

Keene Township's Changes in Net Assets

Governmental Activities

	<u>Year ended 03/31/2007</u>	<u>Year ended 03/31/2006</u>
Revenue:		
Program revenue:		
Charges for services	\$ 9,331	\$ 6,596
Capital grants and contributions	12,320	
General revenue:		
Property taxes	55,752	46,730
State Sources	113,363	112,114
Other	9,424	7,477
Total revenue	<u>200,190</u>	<u>172,917</u>
Expenses:		
General government	58,861	53,317
Legislative	9,207	7,948
Public safety	22,804	24,885
Public works	53,768	77,322
Planning and Zoning	12,199	13,777
Cemetery	6,206	5,480
Total expenses	<u>163,045</u>	<u>182,729</u>
Increase (decrease) in net assets	<u>37,145</u>	<u>(9,812)</u>
Net assets - beginning of year	237,761	247,573
Net assets - end of year	<u>\$ 274,906</u>	<u>\$ 237,761</u>

Keene Township received \$2,735 more for the services it provides for its citizens, businesses, and other governments for year ending March 31, 2007. An important part of this income came from the reimbursements from three school districts for the school elections held in May 2006. Property tax income increased from \$46,730 to \$55,752 on the strength of additional administration fees that the treasurer can charge for the two collections. Total expenditures dropped for the year ended March 31, 2007, since the township did not have any large road projects like it had the prior year.

Keene Township's Capital Assets

Keene Township's Capital Assets (net of depreciation)		
	Governmental Activities	
	Year ended March 31, 2007	Year ended March 31, 2006
Land	\$ 13,795	\$ 13,795
Cemetery improvements	7,714	-
Buildings and Improvements	15,487	17,135
Machinery and Equipment	12,418	1,229
Total Capital Assets	\$ 49,414	\$ 32,159

Keene Township made improvements to Pinckney Cemetery at a cost of \$7,980 and recorded depreciation expense of \$266. These improvements are part of an ongoing effort to upgrade and maintain the two township cemeteries. The State of Michigan received a pass-through federal grant to upgrade the voting machines state-wide. Keene Township received 2 machines – an M-100 Optical Scan Precinct Tabulator and an Auto Mark Voter Assistant Terminal with a value of \$12,320. Keene Township is responsible for maintaining and repairing these machines.

Keene Township – looking ahead

During the year ended March 31, 2007, the Township had a surplus of revenues over expenditures of \$19,890. This built the fund balance from \$205,652 to \$225,492. This fund balance is slightly more than the expenses for an entire year. Normally, a fund balance of this size is not needed, but Keene Township faces many future challenges that may call for using these reserves. First, the township's contracts and agreement cost for fire and ambulance service are increasing steadily. The Township participates in the equipment funding of the Saranac Volunteer Fire Department, and their equipment needs are increasing. Second, township roads and bridges are under increasing stress as our population grows. A road or bridge failure could not be fixed quickly unless Keene Township participates in the funding. Third, our zoning ordinance calls for legal support when it is challenged by a development project and/or special use. Currently, a special use for an athletic field had been conducted without a special use permit. To reach compliance with the land owner, the Township has had to expend over \$3,000 in legal costs to date. If this issue or any other issue leads to a major law suit, the cost could easily exceed \$20,000.

The township board has made every effort to keep costs down on land development projects by requiring bonds of the developers and by collecting appropriate fees for zoning and special use permits. In fact, the Township cashed in a performance bond during the past year and completed the paving of the Country View site condominium's access road. In future years, the township board plans to take a careful approach to current spending in order to meet any future needs and emergencies.

KEENE TOWNSHIP
STATEMENT OF NET ASSETS

March 31, 2007

	<u>Governmental Activities</u>
Assets	
Cash and deposits	\$ 176,598
Receivables	
Due from other funds	48,003
Due from other governments	3,641
Prepaid expenses	2,116
Capital assets, net of accumulated depreciation	<u>49,414</u>
Total Assets	<u>279,772</u>
Liabilities	
Accounts payable	<u>4,866</u>
Total Liabilities	4,866
Net Assets	
Invested in capital assets, net of related debt	49,414
Unrestricted net assets	<u>225,492</u>
Total net assets	<u><u>\$ 274,906</u></u>

The accompanying notes are an integral part of these financial statements.

KEENE TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

Functions/ Programs	Expenses	Program Revenues	Capital Grants	Net (Expenses) Revenues
		Charges for Service		
Primary government				
Governmental activities:				
General government	\$ 58,861	\$ 2,871		\$ (55,990)
Legislative	9,207	3,375	12,320	6,488
Public safety	22,804			(22,804)
Public works	53,768			(53,768)
Planning and Zoning	12,199	2,785		(9,414)
Cemetery	6,206	300		(5,906)
Total government activities	\$ 163,045	\$ 9,331	\$ 12,320	\$ (141,394)

The accompanying notes are an integral part of these financial statements.

(continued)

KEENE TOWNSHIP
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Governmental Activities</u>
Changes in net assets	
Net (expense) revenue	\$ (141,394)
General revenues:	
Property taxes	55,752
State revenues	113,363
Investment earnings	8,044
Other Income	<u>1,380</u>
Total general revenues	<u>178,539</u>
Change in net assets	37,145
Net assets, beginning of year	<u>237,761</u>
Net assets, end of year	<u><u>\$ 274,906</u></u>

(concluded)

The accompanying notes are an integral part of these financial statements.

**KEENE TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2007**

ASSETS	GENERAL FUND
Cash and deposits	\$ 176,598
Receivables:	
Due from other funds	48,003
Due from other governments	3,641
Prepaid expenses	2,116
TOTAL ASSETS	230,358
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable and accrued expenditures:	
Accounts payable	4,866
TOTAL LIABILITIES	4,866
FUND BALANCE	
Undesignated	225,492
TOTAL LIABILITIES AND FUND BALANCE	\$ 230,358

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF THE GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET ASSETS**

Fund balance -- total governmental funds.....	\$ 225,492
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add -- capital assets.....	
Deduct -- accumulated depreciation.....	87,013
	(37,599)
Net assets of governmental activities.....	\$ 274,906

The accompanying notes are an integral part of these financial statements.

KEENE TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED MARCH 31, 2007

	GENERAL FUND
REVENUES:	
Property taxes	\$ 55,752
State sources	113,363
Charges for services	9,331
Interest	8,044
Other	13,700
TOTAL REVENUES	200,190
EXPENDITURES:	
General government	58,346
Legislative	19,263
Public safety	22,804
Public works	53,768
Planning and zoning	12,199
Cemetery	13,920
TOTAL EXPENDITURES	180,300
REVENUES OVER EXPENDITURES	19,890
NET CHANGE IN FUND BALANCES	19,890
FUND BALANCE, BEGINNING OF YEAR	205,602
FUND BALANCE, END OF YEAR	\$ 225,492

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES**

Net change in fund balances -- total government funds.....	19,890
Government funds expense capital outlays in the current year while the Statement of Net Assets allocates them over useful life:	
Add -- Capital Assets acquired and expensed by depreciation	20,300
Deduct - depreciation expense.....	(3,045)
 Change in net assets of government activities.....	 \$ 37,145

The accompanying notes are an integral part of these financial statements.

**KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED MARCH 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Property taxes	\$ 44,000	\$ 44,000	\$ 55,752	\$ 11,752
State sources	112,000	112,000	113,363	1,363
Charges for services	3,500	3,500	9,331	5,831
Interest	2,490	2,490	8,044	5,554
Other	-	12,500	13,700	1,200
TOTAL REVENUES	161,990	174,490	200,190	25,700
EXPENDITURES				
General government	60,936	61,470	58,346	3,124
Legislative	8,000	20,500	19,263	1,237
Public safety	22,014	22,914	22,804	110
Public works	40,740	54,894	53,768	1,126
Planning and zoning	18,100	18,100	12,199	5,901
Cemetery	12,200	14,400	13,920	480
TOTAL EXPENDITURES	161,990	192,278	180,300	11,978
REVENUES OVER (UNDER) EXPENDITURES	-	(17,788)	19,890	37,678
NET CHANGE IN FUND BALANCES	-	(17,788)	19,890	37,678
FUND BALANCE, BEGINNING OF YEAR	205,602	205,602	205,602	-
FUND BALANCE, END OF YEAR	\$ 205,602	\$ 187,814	\$ 225,492	-

The accompanying notes are an integral part of these financial statements.

KEENE TOWNSHIP
FIDUCIARY FUND
TAX AGENCY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2007

Assets

Cash in bank	\$	48,003
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Liabilities

Due to other funds	\$	48,003
		<u>48,003</u>

STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

Receipts

Tax Collections	\$	1,301,593
Interest income		987
		<u>987</u>
Total cash receipts		1,302,580

Disbursements

Tax payments to government agencies		<u>1,299,449</u>
Total cash disbursements		<u>1,299,449</u>

Total receipts over (under) disbursements		3,131
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Cash balance at the beginning of the year		<u>44,872</u>
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Cash balance at the end of the year	\$	<u>48,003</u>
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The accompanying notes are an integral part of these financial statements.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Keene Township was organized on April 4, 1842, under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (fire, ambulance), road maintenance, cemetery, public improvements, planning and zoning, and general administrative services.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present a financial report on all funds of Keene Township.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Keene Township has no business-type activities or funds.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Agency funds follow the accrual basis of accounting, and they do not follow a measurement focus because they do not report the results of operations (assets equal liabilities). Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Township reports the following major government fund:

General Fund – This fund is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund type:

Tax Agency Fund – This fund is used to account for property tax collections from real and personal property owners in Keene Township, and the fund’s disbursements to the applicable government entities and agencies.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance in the Statement of Net Assets and the Statement of Activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Budgets and Budgetary Accounting

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data which is reflected in the financial statements:

1. The budgets are generated with input from various department heads, the township supervisor, clerk, treasurer, and township trustees.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.
3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations at the functional level for all funds (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditure budgets by function. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any department must be approved by the Township Board.
7. Budgeted amounts are as originally adopted, or as amended by the Township Board. Supplemental budget appropriations were made during the year.
8. Encumbrance accounting is not utilized.

Investments

Investments are stated at fair value.

Restricted Assets

Certain proceeds may be set-aside or restricted for the repayment of debt obligations, a planned capital project, or for any other special purpose. Keene Township has no restrictions on its net assets.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental funds in the government-wide financial statements. The Township does not currently own infrastructure (roads, tunnels, bridges, etc.) Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Building and structures.....	10 - 40
Furniture and equipment.....	5 - 15
Building and lot improvements.....	15
Trucks and vehicles.....	5
Machinery and equipment.....	5 - 15

Property Taxes

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as a revenue during the current fiscal year, and is intended to fund expenditures of the current year. Taxes are levied December 1 and are due without penalty on or before February 14. These winter tax bills include the Township's own property taxes and taxes billed on behalf of the school districts and other entities in Ionia County; summer taxes are collected for the school districts and the County of Ionia.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

Real property taxes not collected are returned to the County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Fund Equity

In the fund statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent restricted net assets equal to restricted assets less related liabilities. The general fund of Keene Township has no reservation or designations of its \$225,492 general fund equity.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2007, the Township was covered by a liability and property insurance policy in the Michigan Township Participating Plan through Burnham & Flowers Insurance group.

The insurance limitations are: Property, \$154,444; Liability, \$2,000,000; Wrongful acts, \$2,000,000. In addition, the Township has inland marine and crime coverage.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

2. CASH AND DEPOSITS AND INVESTMENTS

The cash and deposits, investments and restricted assets for the Township and its component unit are as follows:

Deposits:	General Fund	Tax Agency	Total
Cash and deposits	\$ 72,524	\$ 48,003	\$ 120,527
Investments	<u>104,074</u>	<u>-</u>	<u>104,074</u>
 TOTAL	 \$ 176,598	 \$ 48,003	 \$ 224,601

The carrying amount of the Township's deposits at March 31, 2007, is \$176,598. These deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. In accordance with the State of Michigan policy limits, these deposits are all deposited in a Michigan bank. All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at fair value.

Statutory Authority

State statutes authorize the Township to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after date of purchase.

KEENE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

4. Banker's acceptances of United States banks.
5. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
6. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
7. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

Township investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Investments held by the Township are reported at fair value.

All deposit accounts of Keene Township are in Category 1, registered and insured and are listed as follows:

<u>Depository</u>	<u>Account</u>	<u>Amount @ 03/31/07</u>
General Fund:		
First Bank West Michigan	General Fund checking account	\$ 72,524
First Bank West Michigan	General Fund certificates of deposit	104,074
Tax Agency Fund:		
First Bank West Michigan	Operating acct – Tax Agency Fund	<u>48,003</u>
TOTAL DEPOSITED FUNDS		<u>\$ 224,601</u>

KEENE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

3. CAPITAL ASSETS

A summary of changes in Capital Assets follows:

	April 1, 2006	Additions	Disposals	March 31, 2007
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 13,795			\$ 13,795
Capital assets, being depreciated:				
Building	31,160			31,160
Building improvements	13,027	-		13,027
Cemetery improvements	-	7,980		7,980
Machinery and equipment	8,731	12,320		21,051
Total assets being depreciated	52,918	20,300		73,218
Less accumulated depreciation for:				
Building	19,893	779		20,672
Building improvements	7,159	869		8,028
Cemetery improvements	-	266		266
Machinery and equipment	7,502	1,131		8,633
Total depreciation charged	34,554	3,045		37,599
Total capital assets, being depreciated net	18,364			35,619
Governmental activities capital assets, net	\$ 32,159			\$ 49,414

Depreciation expense was charged to functions/programs of the general government as follows:

Township board.....	\$ 616
Cemetery.....	266
Clerk.....	286
Treasurer.....	229
Township hall.....	1,648
Total depreciation.....	\$ 3,045

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

9. CONTRIBUTORY PENSION PLAN

Keene Township contributes to a group pension plan through John Hancock Life Insurance Company. The eligible participants are the elected officials and zoning administrator. The Township contributes according to the participants compensation in the following manner:

Participants who earn less than \$400	\$ 100
Participants who earn \$400 to \$799	200
Participants who earn \$800 to \$1,999	300
Participants who earn \$1,200 to \$1,599	400
Participants who earn \$1,600 or more	500

No contributions are made by the participants. During the year ended March 31, 2007, the Township's contributed \$3,416 for wages paid from April 20, 2005, through April 19, 2006. For the year ended April 19, 2007, the Township has accrued a pension liability of \$3,045 based on compensation paid to the participants.

10. LITIGATION

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

11. ESCROW ACCOUNTS

As of March 31, 2007, Keene Township has no escrow accounts. Prior escrow accounts covered the engineering, legal, and professional expenses of Keene Township relating to private road construction, site condominiums, and special use permits.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

12. DUE FROM (TO) OTHER FUNDS

Amounts due from (to) other funds representing interfund receivable and payable balances at March 31, 2007, are detailed as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund	-	\$ 48,003
Tax Agency Fund	\$ 48,003	-

“Due to” and “due from” balances represent amounts in the tax-agency fund which may be transferred into the general fund.

GENERAL FUND

The General Fund is used to account for government resources that are not required legally or by sound financial management to be recorded in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grant, and intergovernmental revenues. General operating expenditures of the Township are accounted for in this fund, including Township Administration, Public Safety, Public Works, and Planning and Zoning.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

**KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED MARCH 31, 2007

	BUDGETED AMOUNTS			VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Property taxes				
Current property taxes	\$ 39,000	\$ 39,000	\$ 50,193	\$ 11,193
Delinquent property taxes	5,000	5,000	5,559	559
Total taxes	44,000	44,000	55,752	11,752
State sources				
State revenue sharing	112,000	112,000	113,363	1,363
Charges for services:				
Building permits	2,500	2,500	1,910	(590)
Cemetery sales	0	0	300	300
Lot splits	1,000	1,000	800	(200)
School elections	0	0	3,375	3,375
Zoning book sales	0	0	75	75
Telecom	0	0	2,871	2,871
Total fee revenue	3,500	3,500	9,331	5,831
Investment revenue:				
Interest earnings	2,490	2,490	8,044	5,554
Other revenue	0	12,500	13,700	1,200
TOTAL REVENUES	\$ 161,990	\$ 174,490	\$ 200,190	\$ 25,700

**KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2007

	BUDGETED AMOUNTS			VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
EXPENDITURES				
General government				
Supervisor	\$ 8,200	\$ 8,200	\$ 8,006	\$ 194
Elections	3,300	3,300	2,728	572
Assessor	9,200	9,307	8,762	545
Clerk	8,700	8,700	8,648	52
Board of review	576	576	517	59
Treasurer	11,160	11,160	11,046	114
Townhall	13,400	13,400	13,549	-149
Audit & legal	2,500	2,500	1,072	1,428
Pension plan	3,000	3,427	3,416	11
Employment taxes	900	900	602	298
Total general government	60,936	61,470	58,346	3,124
Legislative	8,000	20,500	19,263	1,237
Public safety				
Fire department contributions	14,800	15,700	15,590	110
Ambulance	7,214	7,214	7,214	0
Total public safety	22,014	22,914	22,804	110
Public works				
Roads	37,440	51,594	51,594	0
Drains	3,300	3,300	2,174	1,126
Total Public Works	40,740	54,894	53,768	1,126
Planning and zoning:				
Zoning administrator	10,800	10,800	8,166	2,634
Zoning board of appeals	300	300	105	195
Planning commission	7,000	7,000	3,928	3,072
Total Planning and Zoning	\$ 18,100	\$ 18,100	\$ 12,199	\$ 5,901

**KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED MARCH 31, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Cemetery	<u>\$ 12,200</u>	<u>\$ 14,400</u>	<u>\$ 13,920</u>	<u>\$ 480</u>
TOTAL EXPENDITURES	161,990	192,278	180,300	11,978
REVENUES OVER (UNDER) EXPENDITURES	-	-17,788	19,890	37,678
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-17,788</u>	<u>19,890</u>	<u>37,678</u>
FUND BALANCE, BEGINNING OF YEAR	205,602	205,602	205,602	-
FUND BALANCE, END OF YEAR	<u>\$ 205,602</u>	<u>\$ 187,814</u>	<u>\$ 225,492</u>	-

TAX AGENCY FUND

The Keene Township Tax Agency Fund collects all personal and real property taxes assessed on real and personal property in the township. It disburses these funds to the appropriate governmental entities including school districts, the County of Ionia, and the Township's general fund.

KEENE TOWNSHIP -- TAX AGENCY FUNDS

**RECEIPTS AND DISBURSEMENTS BY
MONTH**

FOR THE YEAR ENDED 03/31/07

PERIOD	OPENING BALANCE	RECEIPTS	INTEREST	DISBURSE- MENTS	CLOSING BALANCE
APRIL 06	44,871.54	5,971.22	0.00	50,169.23	673.53
MAY 06	673.53	0.00	0.00	442.91	230.62
JUNE 06	230.62	652.41	0.00	0.00	883.03
JULY 06	883.03	36,203.15		31,162.29	5,923.89
AUGUST 06	5,923.89	59,813.61	10.59	44,672.36	21,075.73
SEPTEMBER 06	21,075.73	282,838.24	76.82	293,237.34	10,753.45
OCTOBER 06	10,753.45	3,117.52	9.00	9,398.03	4,481.94
NOVEMBER 06	4,481.94	1,389.05	6.57	746.25	5,131.31
DECEMBER 06	5,131.31	291,691.30	127.38	63,974.76	232,975.23
JANUARY 07	232,975.23	195,113.53	310.42	342,990.48	85,408.70
FEBRUARY 07	85,408.70	408,871.05	349.84	411,686.39	82,943.20
MARCH 07	82,943.20	15,931.98	97.27	50,969.16	48,003.29
TOTALS		1,301,593.06	987.89	1,299,449.20	

Lawrence Tiejema, PC

Certified Public Accountant

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

August 2, 2007

The Township Board
Keene Township
Ionia County, Michigan

I have audited the financial statements of the governmental activities and the aggregate remaining fund information of the Township of Keene, State of Michigan, as of and for the year ended March 31, 2007, which collectively comprise Keene Township's basic financial statements and have issued a report thereon dated July 2, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, I considered Keene Township's control over financial reporting as basis for designing my auditing procedures for the purposes of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Keene Township's internal control over financial reporting.

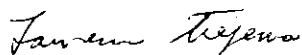
My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, I did not identify any deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I noted no significant deficiencies involving internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keene Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, we do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board officers, bond and credit holders, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Lawrence Tiejema, PC.

August 2, 2007

Lawrence Tiejema, PC

Certified Public Accountant

1187 Hawley Highway

Saranac, MI 48881

Phone: 616-642-0384

Fax: 616-642-0610

Email: tiej@iserv.net

August 13, 2007

Keene Township
8505 Potters Road
Saranac, MI 48881

To the Board of Keene Township:

I issued two reports – (1) Opinion on whether Keene Township's financial reports represent faithfully the results of operations for the year ended March 31, 2007; (2) Comments on internal control and stating whether there are material weaknesses in internal control.

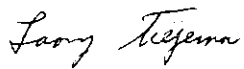
While performing the audit, I observed some details of the financial records and minutes of the meetings that I may share with you. These comments may be considered topics of discussion and/or suggestions for better procedures. I would like to make the following observations:

- (1) Motions recorded in the minutes that involve expenditure of township funds should include an amount or authorize a board member to make an agreement within defined financial perimeters. For example, the motion to retain Mr. Benedict to paint the hall should read, "Moved by John to have Benedict paint the hall for \$2,000 per bid presented; Supported by Harvey; Passed."
- (2) During the fiscal year ended March 31, 2007, there were at least two financial transactions between township board members and the Township. While these transactions may demonstrate frugal use of township resources, there could be abuse by other township officials in other situations. Therefore, I suggest that the Township adopt a conflict of interest policy that includes a bid process whenever township board members do business with the Township.

- (3) The Clerk and Treasurer work well together in sharing financial information so that the Treasurer can effectively balance all bank statements. On occasion, some transactions of the Clerk appear in a different month than they are recorded per the bank statements. I recommend that the Clerk be given a copy of all bank statements so that revenues and expenditures may be recorded in the month recorded by the Treasurer's records.

In conclusion, the Township keeps excellent records and pursues expenditures and projects that meet the needs of its citizens. If you have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Larry Tiejema".

Larry Tiejema, CPA